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Trade, Wealth Creation, and American Agriculture

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Why do we trade? Most Americans would answer this question with some reference to the benefits of expanded markets for U.S. goods and more job opportunities. However, if asked the question, why do we work? most would respond that we work to earn money so that we can buy things. At a personal level, we intuitively know that trading our specialized labor with others (using money as the means of transactions) gives us a higher standard of living than if we tried to produce everything ourselves. We know and act on the knowledge that specialization enhances our individual wealth. But economists have known for more than 200 years that what holds at the individual level also holds nationally. A country will have more wealth and a higher standard of living if the country specializes in producing those products that it is relatively good at producing, exporting the surplus, and using the proceeds to buy imported products.

The notion that the gains from foreign trade should be measured by what we import, not by what we export, is difficult for many to accept. Clearly, the statements of some of our leaders in Washington suggest that they see the benefits of trade in terms of our ability to increase exports, not in terms of our ability to increase our imports. For example, Secretary of Agriculture Veneman frequently argues that she wants to open up overseas export markets for the benefit of U.S. farmers. And it is a common bipartisan belief in Congress that increased



imports are actually bad for the United States. AgWeb.com ("Inside Washington Today," October 1) reported that Senator Lott (R-Miss.) held up the legislation that granted normal trade relations status to Vietnam because of his concerns that the Vietnamese catfish industry threatens U.S. catfish farmers. And Senator Baucus (D-Mont.) has led efforts to limit Canadian softwood lumber because such imports hurt American lumber mills.

As major exporters, Iowa and other Corn Belt states have a keen interest in the direction of U.S. trade policy. Will the United States follow its free trade rhetoric and pursue global free trade agreements that expand trade? Or will concern about the impacts of imports limit expansion of trade? While nobody can say with certainty whether the United States will become more or less protectionist, a closer examination of the issues will help clarify the issues so that a more informed debate can take place.

IMPORTANCE OF EXPORTS TO CORN BELT AGRICULTURE

The United States has exported an average of 20 percent of its corn production and 45 percent of its soybean production over the last five years. We exported additional amounts of corn and soybeans as

meat. Changes in the demand for U.S. corn, soybeans, pork, beef, and poultry by overseas consumers have a direct impact on the prices Iowa farmers receive for their production. This direct link is why many look to the expansion of feed and meat exports as the only way to achieve sustained strength in market prices.

Most U.S. farm leaders rail against markets closed to U.S. exports. But how easy is it for foreign countries to open up their markets? A look at our own political debates about protectionist policies will show why such openings are difficult to achieve.

THE POLITICS OF TRADE POLICY

If all our political leaders were well trained in economics, then they would accept the fact that we export goods to earn foreign exchange so that we can purchase imported items. If, in addition to being good economists, they did not care if they were re-elected, then they would adopt the trade policy that would create the most wealth for U.S. residents. That policy would be for us to unilaterally take down all of our trade barriers. This action would lower import prices, raise our standard of living, and increase the level of domestic competition. This increased competition would help to keep consumer

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prices low in the future and would lead to increased productivity as companies invest to stay ahead of domestic and international competition.

If unilateral trade liberalization would be so good for us, why haven't we adopted it? The answer is simple. Enhancing national wealth is not the goal of trade policy. Policy results from the natural desire of our political leaders to respond to the interests of their constituents. And whose interests are most likely to be brought to the attention of our leaders? The interests of those groups for which policy benefits are large enough to justify the hiring of a lobbyist.

In Montana, owners of wheat-producing land and timberland have an interest in limiting wheat and lumber imports from Canada. Steel manufacturers and labor unions that represent steelworkers in Pennsylvania and Ohio have an interest in limiting steel imports from South Korea and the European Union (EU) to maintain steel profits and steel jobs. Sugar producers in North Dakota, Minnesota, and Florida want continued restrictions on sugar imports to maintain their artificially high sugar profits. Clearly, it makes economic sense for all these groups to fund lobbying efforts to convince Congress and the Administration to adopt protectionist policies. And these same forces are at work in every country where competition from U.S. exports threatens their own vested interests.

To see why anti-import forces often win policy debates, consider the U.S. sugar program. A recent report by the Government Accounting Office (GAO) estimated that U.S. consumers would gain between \$770 million and \$1.96 billion per year if we completely opened our market to foreign sugar. This is a substantial amount of money, but it amounts to only \$2.70 to \$7.25 per U.S. resident per year. The GAO report indicated that each U.S. sugar producer would lose an average of about \$125,000 a year, with many growers losing in excess of \$1 million if sugar imports were liberal-

ized. In this case, the small gains to the many would seem to outweigh the losses to the few if we opened our market to imported sugar. Nevertheless, this economic imbalance does not usually translate into adoption of a free trade policy because Congress simply does not hear from outraged sugar consumers. It only hears from outraged sugar farmers.

The political balance of power in trade policy favors those who advocate for protectionism. The benefits of protection fall to the few who can organize and lobby for it, whereas the costs of protectionism are borne by the many (all of us) who do not find it worthwhile to spend time and money in support of free trade.

WHAT ABOUT UNFAIR TRADE PRACTICES?

Of course, companies and industries that lobby for protectionist policies do not couch their arguments in terms of their desire for higher profits. Rather, they typically argue their case by citing “unfair” competition from foreign exporters. Often the “unfairness” is caused by lower labor costs in the exporting countries. But unfair practices can also include government subsidies to the exporting industries, direct subsidies to exports, and preferential tax treatments. Without some protection, lobbyists argue, companies and industries would be go out of business, and U.S. consumers would be forced to buy from foreign suppliers. What should be the response to these arguments?

One response is to simply say, so what? If a company in a foreign country chooses to supply us with a product at a price lower than we ourselves can make it, then we had better take advantage of the offer. If an exporting country's taxpayers want to subsidize our consumption, then who is taking advantage of whom?

Few countries, with the notable exceptions of Hong Kong, Singapore, and New Zealand, have adopted this “so what” response. This is not sur-

prising given that profits for domestic companies are at risk, and those at-risk profits can be used to lobby for relief. Besides, if domestic companies or industries go out of business because of import competition helped by excessive government subsidies, they may have a legitimate complaint.

Where can harmed industries get relief? From the federal government? There is a problem with allowing the domestic government to adjudicate a trade complaint. Past experience suggests that this results in too much relief and too few imports. (See "Coming Home to Roost: Proliferating Antidumping Laws and the Growing Threat to U.S. Exports," by Brink Lindsey and Dan Ikenson, Center for Trade Policy Studies, July 30, 2001.)

The alternative response is to let a more disinterested third party adjudicate trade complaints, beyond domestic boundaries. That third party is the World Trade Organization (WTO).

ROLE OF THE WORLD TRADE ORGANIZATION

The WTO was formed upon completion of the Uruguay Round of trade negotiations in 1994. Its primary purpose is to review trade policies and to settle trade disputes between member countries. The WTO has no ability to enforce its findings, so it can settle disputes only if member countries choose to adhere to WTO rulings. So far, the track record of adherence is mixed. The EU was found to be out of compliance when it banned U.S. beef imports produced with growth hormones. But the ban continues. The WTO has ruled twice against the United States for use of the foreign sales corporation tax, which could lead to \$4 billion worth of sanctions if the dispute continues.

If the WTO finds that a country is out of compliance, then trade partners are allowed to use sanctions in the form of import tariffs against the offending country's exports. As a result, the U.S. has raised

the cost of certain European exports by \$116 million in response to the EU ban on hormone beef, subsequently increasing the cost of these items for U.S. consumers. It might seem odd that a country punishes another country by taxing its own citizens with import tariffs, but that is the only remedy offered.

If an exporting country's taxpayers want to subsidize our consumption, then who is taking advantage of whom?

For the WTO dispute settlement mechanism to work, countries must voluntarily give up some of their economic sovereignty and follow WTO rulings. The benefits to the world trading system from reduced national sovereignty are obvious: trade volume and value will expand, accelerating world wealth creation. Giving up some economic sovereignty is good for each individual country as well, because WTO rulings can be an effective counterweight against lobbyists for domestic industries that seek protectionist policies. Thus, for example, if Canada brings a WTO complaint against United States softwood lumber tariffs and wins, then U.S. politicians that have supported the tariffs can say that they have done all they can do, and U.S. citizens can enjoy the benefits of less expensive wood.

FUTURE TRADE POLICY AND AGRICULTURE

The best hope for expanded exports of U.S. corn, soybeans, and meat products lies with the WTO. The fourth biannual WTO trade ministers' conference is scheduled to meet in Doha, Qatar, on November 9. (The last conference was held in Seattle in 1999.) At the top of the agenda is an

agreement to start a new round of trade liberalization talks. Trade in agricultural products likely will be a large part of a new round. However, developing-country members are protesting that they did not receive enough of the benefits from the last round of talks. They argue that they still face unfair competition from EU export subsidies, import tariffs, and producer subsidies. They dislike U.S. production subsidies and import restrictions on textiles and certain agricultural products such as peanuts and sugar. Developing countries will need to be convinced that they will have more time to implement the last agreement, and that any new agreement will open up developed-country markets to their goods.

If the United States and the European Union are serious about wanting to increase world trade, then a demonstration of good faith would go a long way toward showing that a new round of trade negotiations will actually benefit the developing countries. Such a demonstration could be a speedup in the timetable by which textile trade is liberalized. Of course, U.S. cotton farmers would line up to fight this liberalization. Or, the European Union could further lower its wheat support price and wheat export subsidies. Of course, French wheat farmers would likely drive their tractors to Paris in protest. Or, the United States could replace all non-recourse loans with recourse loans, which would eliminate the government-provided incentive to keep producing corn, soybeans, cotton, and wheat when the market is signaling farmers to cut production. We all know what the reaction to this proposal would be. Nevertheless, developing countries are looking for such a demonstration. If we want to move forward with further trade liberalization, then the United States and the European Union may have to sacrifice a few sacred cows currently protected from import competition. ♦

Who is Afraid of the “Precautionary Principle”?

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The recent European Union (EU) draft legislation on labeling and tracing all food and feed consisting of, containing, or produced from genetically modified (GM) organisms has the potential to significantly affect long-run U.S. agricultural exports to Europe. For the last three years, a de facto moratorium has halted approval of new GM varieties in the EU. Whereas the proposed new EU legislation may help resolve this impasse, the details of this draft legislation are raising considerable concern in the U.S. agricultural community and, if approved, are likely to give rise to a serious trade dispute within the World Trade Organization.

It seems that this EU proposal marks an increase in the international divergence in the way new biotechnology products are being regulated. Some have suggested that differing GM product regulations in the United States and in the EU can be traced back to the EU reliance on the “precautionary principle.” Whereas the EU has embraced such a concept as the guiding principle in developing its new regulations on GM food, the United States has resisted explicitly recognizing it.

BACKGROUND

The principle of precautionary action is rooted in German environmental law and was first applied internationally at a 1987 London conference dealing with the protection of the North Sea. This concept was adopted in the 1992 United Nations Conference on Environment and Development, where it was succinctly described in one of the principles of the Rio Declaration: “Lack of full scientific certainty shall not be used as a reason for postponing cost-effective

measures to prevent environmental degradation.” The Biosafety Protocol agreed to in Montreal in 2000, the first international agreement with provisions aimed at regulating trade of GM products, also explicitly appeals to the precautionary principle. These applications of the precautionary approach dealt with environmental risks, but the EU Commission made a substantial extension of its scope last year by adopting it to deal more generally with risk to “...the environment, human, animal and plant health,” effectively expanding the use of this principle to include food safety.

The extension of the precautionary principle to deal with food safety, and in particular its use to regulate GM food, has been very controversial. Some have charged that the principle is unscientific. Others have argued that it is a logical fallacy to rely on this principle to establish the safety of new products because it amounts to imposing an impossible burden of proof. This conclusion is based on interpreting the precautionary principle to mean that a new product or a new technology should not be approved as long as there is the possibility of some harm being done, that is, effectively demanding a conclusive proof of zero risk. But this rendition of the precautionary principle is untenable.

RATIONAL CHOICE UNDER RISK

How should we deal with the risks that inevitably are associated with a new technology? Suppose we need to decide between allowing a new GM variety and not allowing it. When the choice involves genuine uncertainty (something is not known for sure), decision theory, as developed by economists and statisticians, emphasizes the crucial aspects of trading off benefits and costs across possible “states of the



world.” If for all possible contingencies the new variety gives only positive outcomes, then the choice is obvious. But typically that is not the case, and we must trade off net positive benefits that accrue when everything turns out smoothly with the net costs that accrue when a negative outcome actually materializes. This trade-off requires that we know the size of net benefits or costs in each possible state of the world and the probability of that contingency to arise (so that, for example, a catastrophic outcome that is believed possible only with a very small probability can still have a substantial impact on choice). Furthermore, this trade-off depends on the risk tolerance of the decisionmaker. This much is clear for individual choices: one person’s desired portfolio allocation between stocks and cash is not necessarily optimal for another person.



The problem is more complex when we deal with risk trade-offs not for an individual but for society. But the essence of the problem is the same. What is the role of science in this framework? Quite clearly, science has a lot to offer in identifying the various possible outcomes of an action and the probability that can be associated with each possible outcome. But science is not of much help in deciding what the optimal level of risk exposure should be (just as an economist cannot tell you how much of your portfolio to put in stocks). That is why risk regulation has traditionally distinguished between “risk assessment” and “risk management.” Risk assessment is the technical step, and re-

lies heavily on scientific evidence, whereas risk management is the policy stage, where a decision is made on how much risk can be tolerated (conceivably in exchange for expected net benefits).

Does application of the precautionary principle necessarily lead to a drastically different way of dealing with and regulating risk? No, it does not. The precautionary principle should be interpreted as a tool for risk management, the policy stage of choosing the optimal risk exposure. Its basic tenet is that, when some uncertainty exists about the outcomes of an action, this uncertainty must be factored into the choice problem. This is exactly what decision theory mandates! Viewed in this light, the precautionary principle is less objectionable, but it is also not as novel and is perhaps redundant. Indeed, even when the precautionary principle is not invoked explicitly, regulatory actions aimed at risk can be construed as being consistent with it. For example, the 1998 U.S. decision to withhold approval of StarLink maize for human consumption (because of the possibility, to this day unverified, that its particular Bt protein could be an allergen) arguably can be characterized as a textbook application of the precautionary principle.

THE REAL ISSUES

Differing and incompatible national regulations for GM food could prove crippling to the commodity-based international trading system for agricultural products. Harmonization of such regulations is imperative if the heralded gains from biotechnology innovations in agriculture are to be realized. A

rational and credible process for dealing with the potential risks of these new technologies is, of course, crucial. In this context, an ideological opposition to the precautionary principle is misplaced. Reliance on the precautionary principle need not bias public choices against new technologies when it is seen in the context of risk management (as opposed to risk assessment). The unresolved issue, perhaps, is how to make the precautionary principle operational in a transparent way, so that it can be translated into effective policy choices that strike an optimal trade-off between benefits and risks of new technologies.

If the EU policies on GM products are perceived as too cautious, it may be because either “excessive” risk aversion is being built into regulations, or incorrect presumptions on possible outcomes and their probabilities are being used. In the latter case, science can be of considerable help in dispelling misconceptions, and more scientific evidence on various implications of GM products is needed. In the former case, the question to ask is, why pick on GM products? If very different risk standards are being used with respect to GM products (relative to traditionally bred varieties, for example), then this point needs to be attacked directly, not peripherally. Regulating risk requires that we understand what to be afraid of, and to what degree, but there is no need to be afraid of the precautionary principle. ♦

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Iowa's Agricultural Situation

Projected Corn and Soybean Yields Down Slightly from Last Year, and Continuing Profits Expected in Hog Markets

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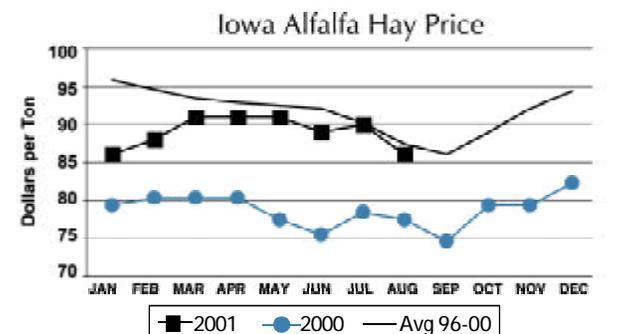
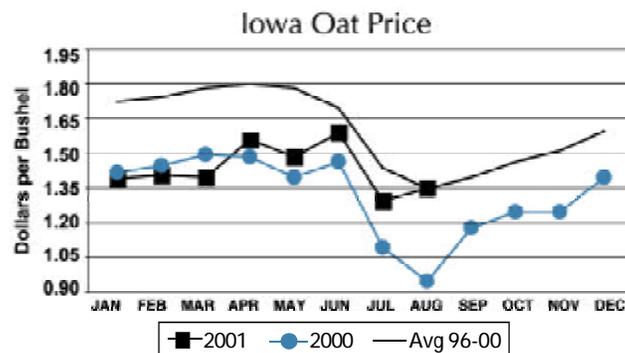
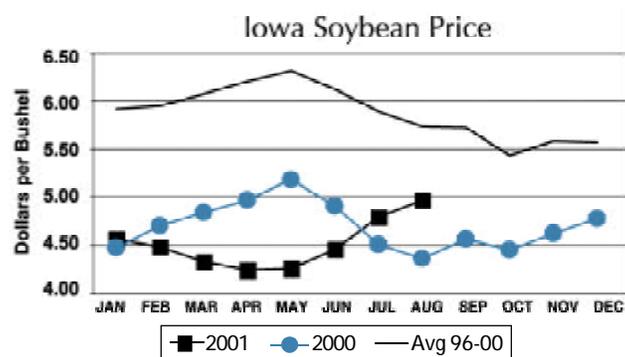
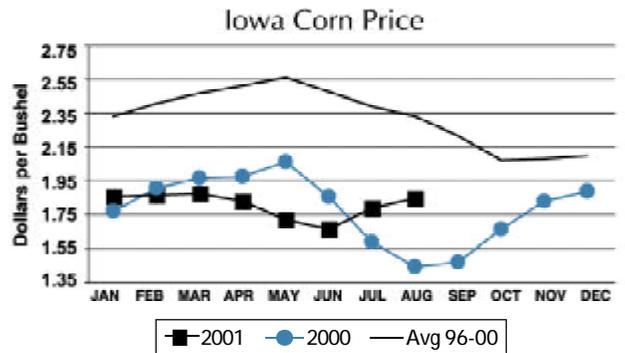
The harvest season, accompanied by the humming of combines and the bright colors of autumn, now reigns over the midwestern plains. Hot and dry August weather has somewhat hampered progress and has led to a delayed harvest, which continues to stay a couple weeks behind schedule. While foreign demand may be influenced by the fluctuations in the U.S. dollar and increased shipping costs, domestic demand may expand because the major bulk of grain is used as livestock feed, and livestock numbers are on the rise. On the livestock side, data indicates that the national beef cow herd remains stable while pork inventories appear to be more than usually depleted as compared to this time last year, which may translate into higher livestock prices this fall.

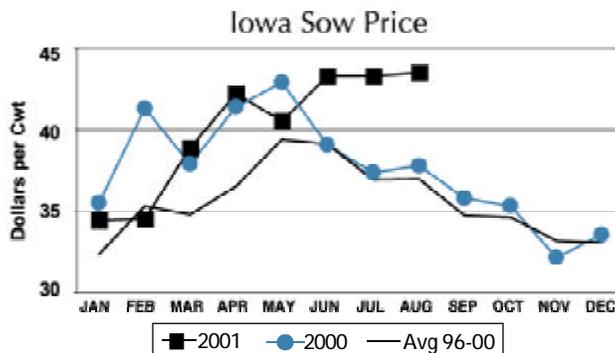
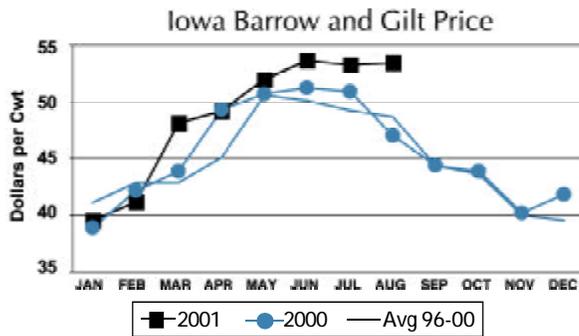
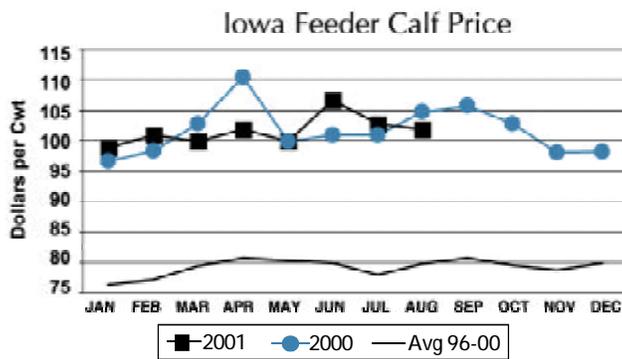
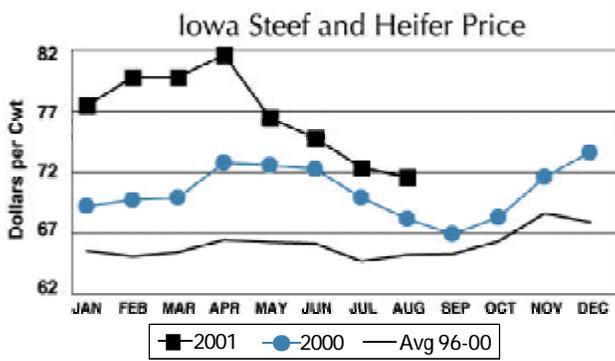
CROPS

Iowa Corn. Overall, it appears that this year's Iowa corn crop will be close to the five-year average. Corn ripened faster over the second half of September, even though corn development lagged behind at the beginning of the season. According to the U.S. Department of Agriculture's (USDA) *Iowa Crops and Weather* reports, by October 14, corn crop matured and was safe from frost on 98 percent of the total acres. Only 14 percent of the state's corn acreage was in the bin compared to 73 percent last year and 40 percent on average. The moisture level of harvested corn was recorded at 20 percent across the state, which was 4 percent lower than that of corn remaining in the field. The corn condition is fairly stable, rated at 58 percent good to excellent, a rating lower than that of last year's crop. October 1 estimates have Iowa's corn crop projected to yield 141 bushels per acre, up 2.2 percent from the previous estimate. If this forecast is on the mark, the realized yield will be 4 bushels below last year, for a total of 1.62 billion bushels, down 7 percent from last year. In September, the price of corn in Iowa averaged \$1.85 per bushel, up \$0.39 from a year ago.

U.S. Corn. On the national scene, in October the USDA raised corn yield estimates to 136.3 bushels per acre, up 2.2 percent from the September *Crop Production* report. This

Continued on page 10





Iowa Cash Receipts Jan. - June

	2001	2000	1999
(Million Dollars)			
Crops	2,163	2,256	2,249
Livestock	2,786	2,947	2,323
Total	4,949	5,203	4,572

World Stocks-to-Use Ratios

	Crop Year		
	2001/02 (Sept. Projection)	2000/01 (Estimate)	1999/00 (Actual)
(Percent)			
Corn	19.23	25.83	28.25
Soybeans	14.72	16.65	16.78
Wheat	22.60	26.92	28.34

Average Farm Prices Received by Iowa Farmers

	Aug* 2001	July 2001	Aug 2000
(\$/Bushel)			
Corn	1.83	1.79	1.43
Soybeans	4.87	4.77	4.32
Oats	1.35	1.29	0.93
(\$/Ton)			
Alfalfa	86.00	90.00	77.00
All Hay	85.00	89.00	76.00
(\$/Cwt.)			
Steers & Heifers	71.30	72.10	67.70
Feeder Calves	102.00	103.00	105.00
Cows	44.90	44.70	40.70
Barrows & Gilts	53.60	53.40	46.90
Sows	43.80	43.60	37.90
Sheep		37.40	31.00
Lambs		60.10	85.10
(\$/Dozen)			
Eggs	0.27	0.22	0.40
(\$/Cwt.)			
All Milk	16.20	15.90	11.90

*Mid-month

The Concentration of U.S. Agricultural Subsidies

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U.S. agricultural subsidies are easy to criticize because they are far from uniformly distributed. Subsidies are concentrated geographically, they are concentrated on relatively few crops, and they are concentrated on relatively few producers. The accompanying three charts illustrate these three dimensions of concentration.

Figure 1 shows the concentration of subsidies across U.S. agricultural products. Crops and livestock products were ranked according to their share of subsidy relative to their share of value in 1999. According to this measure, rice is the most heavily subsidized crop, receiving 5 percent of U.S. subsidies but contributing only 0.7 percent of the value of U.S. agricultural production. Cotton is next, with a 13 percent share of subsidies and a 2 percent share of value. Corn is the tenth most subsidized commodity, with a 27 percent subsidy share and a 10 percent value share. In 1999, soybeans received relatively low subsidies, with a 10 percent subsidy share and a 7 percent share of value. The reason for this low ranking is that soybeans did not qualify for Agricultural Market Transition Assistance (AMTA) payments. In the next farm bill, soybean supporters want soybeans to be treated as a full-fledged program crop with all the resulting subsidies.

Most of U.S. agriculture receives little or no subsidies, with 60 percent of the value of U.S. agricultural production receiving a 3 percent subsidy share in 1999. This concentration of benefits on a relatively few commodities is an artifact of the way that commodity programs were initially set up in the 1930s. Tobacco, barley, corn, wheat, cotton, oats, rice, and grain sorghum were by far the most important commodity crops that had firm political backing because production was geographically concentrated in a relatively small number of states. Livestock production was much more widely distributed throughout the states, and a significant portion of livestock products were consumed on-farm or locally. Soybeans was a relatively minor crop. Because today's farm programs are still based largely on the reality of agriculture from 50 to 60 years ago, we see the concentration patterns shown in Figure 1.

Figure 2 shows that concentrating subsidies on crops also results in a geographic concentration of subsidies. The ratio of subsidies to value is highest in the states that grow primarily program crops and that have relatively small livestock sectors. This

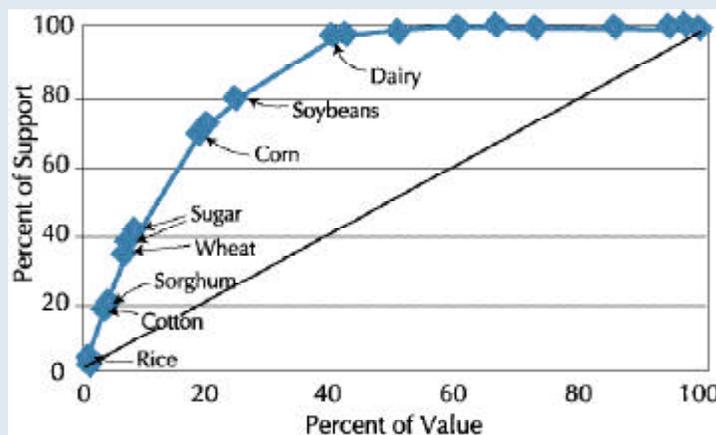


FIGURE 1. CONCENTRATION OF U.S. AG SUBSIDIES IN 1999

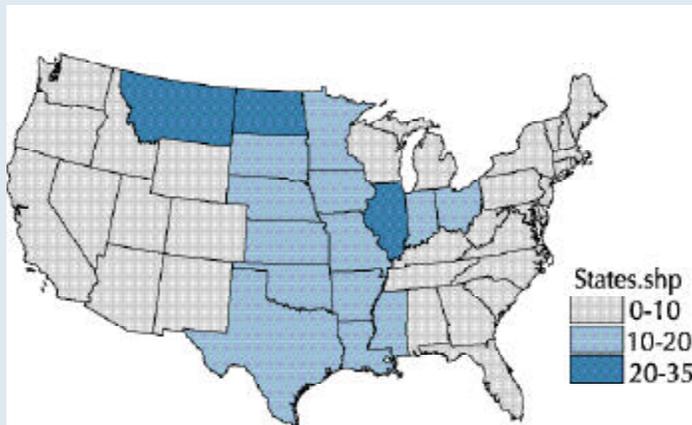


FIGURE 2. RATIO OF GOVERNMENT SUBSIDIES TO VALUE OF PRODUCTION IN 1999

includes Illinois, North Dakota, and Montana. Although Iowa grows mostly corn and soybeans, as Illinois does, it is a large producer of cattle, hogs, dairy, and eggs. Note that no state outside of the Central United States receives subsidies that total more than 10 percent of the value of production. This geographic concentration of subsidies largely explains the political longevity of farm programs. Corn Belt

legislators work with Cotton Belt and Wheat Belt legislators for mutual gain.

Figure 3 captures the dimension of concentration that draws the most focus of farm program critics. This is the concentration of payments to eligible producers. In Iowa, 10 percent of producers who received subsidies from 1996 to 1998 received 45 percent of the subsidies. In Texas over the same period, the top 10 percent of producers received 65 percent of the payments. Iowa's relative egalitarianism results from the fact that nearly all producers in Iowa received some subsidies.

The reason for this high concentration is that the total amount of subsidies received on a farm depends on the total amount of program crops produced on that farm. Only if all farms were of equal size and all land were equally productive across Iowa would payments be equal. But we know that there is a mixture of large and small farms in Iowa, and some of the largest farms contain some of the most productive soils. Combining this heterogeneity with program rules that do not limit the amount of subsidy an individual farmer can receive results in the type of subsidy concentration shown in Figure 3.

Critics often charge that farm programs are really all about transferring income from taxpayers to wealthy farmers. U.S. Department of Agriculture data confirm that

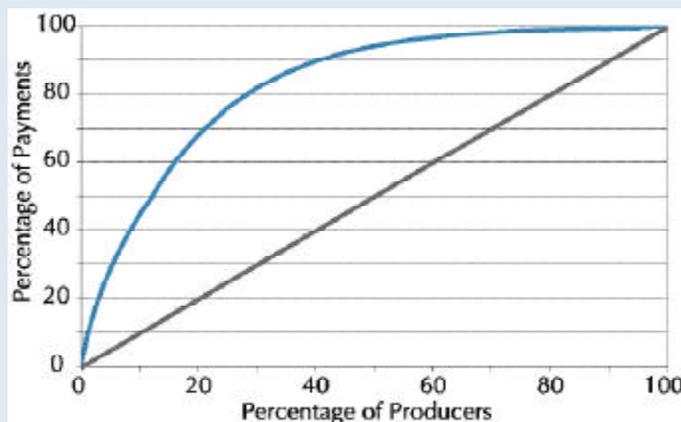


FIGURE 3. CONCENTRATION OF PAYMENTS TO IOWA PRODUCERS FROM 1996 TO 1998

large commercial farms typically have net incomes higher than those of average U.S. households. The Figure 3 data show that the largest commercial Iowa farms do, in fact, receive the most subsidies. ♦

yield would be the third highest on record. These numbers came as a surprise because the September estimates were lower than those in August. Historically, a low September projection has indicated a lower-than-expected national corn yield, which suggests a stronger harvest-time price outlook. However, the release of unexpectedly high October crop forecasts, combined with waning export demand, depressed corn prices. According to the USDA's October *Grain Stocks* report, total old crop corn stocks amounted to 1.9 billion bushels on September 1, which is 11 percent higher than last year and a record high since September 1993. The split between on-farm and off-farm storage was 40 to 60 percent, with on-farm stored stocks 5 percent lower and off-farm stocks 24 percent higher than last year. The summertime corn usage slightly topped that of last year at 2.03 billion bushels compared to 1.87 billion bushels consumed from June to August in 2000.

Iowa Soybeans. Even though late-planted soybeans benefited from a rainy late August, the state's soybean harvesting slowed down again due to a wet second week of October, and it is slipping behind the average pace. Soybean harvest progressed to 56 percent complete, compared to 89 percent last year and 79 percent typically by this time. Statewide, the soybean crop condition remained very steady at 52 percent good to excellent, which is comparable to a year ago.

The October 1 yield forecast increased by 1 bushel from the September 1 forecast and reached 43 bushels per acre, which is 0.5 bushel per acre lower than at this time last year. A soybean crop of 470.9 million bushels is expected, which exceeds last year's total by 1 percent. Iowa farmers have received an average of \$4.65 per bushel in September, \$0.12 higher than last year.

U.S. Soybeans. According to the October 12 USDA *Crop Production* report, the U.S. production of soybeans is expected to achieve a record high of 2.91 billion bushels, up 3 percent from September 1 projections and up 5 percent from last year's levels. Nationwide, the soybean yield forecast has increased to 39.2 bushels per acre, up 1 bushel from last month's estimates and up 1.1 bushel from 2000 yields. On the other hand, the national stock of soybeans on September 28 was pegged at 248 million bushels, which is 15 percent lower than last year. Only about 34 percent of that was kept on farm, down 26 percent from a year ago. Off-farm storage accounted for the rest of the stock and was 7 percent lower than in 2000. On the demand side, soybean export prospects were reduced by 10 million bushels in October due to significantly larger supplies in South America. Also, the June-August consumption of 460 million bushels of soybeans was 5 percent below last year's number.

Iowa Hogs and Pigs. The USDA September *Hogs and Pigs* report brought good news for pork producers, as the numbers were slightly

lower than expected. The September inventory of all hogs and pigs on U.S. farms was 1 percent smaller than it was in September 2000. Also, the breeding herd and market hogs inventory were both down 1 percent compared to a year ago. Seasonally large slaughter supplies and heavier weights depressed hog prices in late August through September. But the revised downward inventory estimates suggest that the market floor may not be as low this fall as originally expected. Generally, Iowa's inventory estimates were adjusted relatively higher compared to the national average. While the March-June Iowa pig crop was considerably below the national level, Iowa farrowing intentions appear to be above the country's average for fall and winter. The USDA estimates 14.7 million hogs and pigs on Iowa farms as of September 1, down 4 percent from a year ago and down 100,000 from June 1. The June-August pig crop totaled 3.655 million, down 12 percent from the same quarter last year. A total of 430,000 sows were farrowed to produce these pigs, with an average of 8.5 pigs per litter. Producers' intentions were to farrow 450,000 sows and gilts during the September-November quarter, down 6 percent from last year. The planned farrowings for December-February are recorded at 460,000 sows and gilts, which is 4 percent lower than for the same period in 2000. The inventories and production intentions in the September report seem to suggest that barrow and gilt prices may remain at profitable levels well into the summer of 2002. ♦

Meet the Staff: Michael Long

Behind all good policy analysis is good economic theory, backed by mathematical programming models that often use massive data and crunch massive numbers. And behind all good programming and data systems is a good computer system, backed by professionals who know how to keep things humming. Michael Long belongs to this club of computer professionals at CARD; he's been working to maintain CARD's computers, servers, and networks since 1990.

A systems analyst in Computer Services, Mike can usually be found troubleshooting or installing software at one of the 50-plus personal computers in use on any given day. The pace of technological advances in the computer sector keeps hardware and software upgrades on the docket almost constantly. Mike says he and other computer support staff work to keep equipment operating efficiently. "We try to make any changes in computing here at CARD in a gradual, orderly fashion with as few disruptions as possible."

Viruses and security are often on his mind, as he sifts through newsletters and e-mail alerts to get a jump on any potential threats. The Economics Department computer server recently succumbed to the latest menace—the Nimda virus, which meant hours of damage control by the department's systems staff. But CARD's computers and servers have sidestepped that particular threat, for now. The guardians of the data, including Mike, work relentlessly to protect CARD's investment.

Mike says he likes the challenge of finding solutions to technical problems. And, as in most computer-driven agencies, technical problems are not hard to come by. The variety of work is also a plus, he says. So, too, are the people. "CARD is a very nice place to work," he says. "It is a good opportunity to be able to work with very gifted and caring faculty, staff, and graduate students."

A true technophile, Mike spends his spare time tinkering. "I like to repair broken things, working on autos and doing home improvements,"



Michael Long

he says. "Putting in water lines for our rural water service is my next big project."

Mike and his wife, Anne, have three children: Candice, Chucky, and Melanie. At home he's been busy helping Melanie, his youngest, work through pre-school materials to prepare for kindergarten next year, and he will soon install some fencing so that Candice, his oldest daughter, can have a horse and some sheep. ♦

Recent CARD Publications

WORKING PAPERS

Uwe A. Schneider and Bruce A. McCarl. "Greenhouse Gas Mitigation through Energy Crops in the United States with Implications for Asian-Pacific Countries." Working Paper 01-WP 274, September 2001.

Uwe A. Schneider, Heng-Chi Lee, Bruce A. McCarl, and Chi-Chung Chen. "Effects of Agricultural Greenhouse Gas Emission Mitigation Policies: The Role of International Trade." Working Paper 01-WP 279, July 2001.

Bruce A. McCarl, Brian C. Murray, and Uwe A. Schneider. "Influences of Permanence on the Comparative Value of Biological Sequestration versus Emissions Offsets." Working Paper 01-WP 282, August 2001.

Jean-Christophe Bureau, Estelle Gozlan, and Stephan Marette. "Quality Signaling and International Trade in Food Products." Working Paper 01-WP 283, August 2001.

John C. Beghin, Jean-Christophe Bureau, and Sung Joon Park. "Food Security and Agricultural Protection in South Korea." Working Paper 01-WP 284, September 2001.

Holger Matthey and Jeffrey S. Royer. "Testing the Impact of Corporate Farming Restrictions on the Nebraska Hog Industry." Working Paper 01-WP 285, October 2001.

Lyubov A. Kurkalova, Catherine L. Kling, and Jinhua Zhao. "The Subsidy for Adopting Conservation Tillage: Estimation from Observed Behavior." Working Paper 01-WP 286, September 2001.

Silvia Secchi, Terrance M. Hurley, and Richard L. Hellmich. "Managing European Corn Borer Resistance to Bt Corn with Dynamic Refuges." Working Paper 01-WP 287, October 2001.

BRIEFING PAPERS

Chad E. Hart and Bruce A. Babcock. "Effects of Adding a Target Revenue Program and Soybean Fixed Decoupled Payments to Current Farm Programs." Briefing Paper 01-BP 35, September 2001.

STAFF REPORTS

Ali Saleh, Philip W. Gassman, and Catherine L. Kling. "Sny Magill Watershed Modeling Project: Final Report." Staff Report 01-SR 95, July 2001.

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